

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

KENTUCKY RURAL WATER FINANCE)
CORPORATION JOINT APPLICATION ON)
BEHALF OF CERTAIN WATER DISTRICTS FOR)
AUTHORITY TO BORROW FUNDS TO) CASE NO. 2013-00042
REFINANCE CERTAIN OUTSTANDING)
INDEBTEDNESS TO THE KENTUCKY RURAL)
WATER FINANCE CORPORATION)

ORDER

Kentucky Rural Water Finance Corporation ("KRWFC"), on behalf of 16 water districts,¹ has applied for authority for each of those water districts to enter supplemental assistance agreements with KRWFC to modify the terms of one or more of its existing assistance agreements with KRWFC.² These supplemental assistance agreements are intended to pass through to the water districts the savings that KRWFC achieved through the recent refinancing of certain bonded debt obligations.

On February 21, 2013, KRWFC moved that the Commission immediately authorize Christian County Water District, Edmonson County Water District, Grayson

¹ These water districts are: Allen County Water District, Big Sandy Water District, Christian County Water District, Crittenden-Livingston County Water District, East Clark County Water District, Edmonson County Water District, Grayson County Water District, Green River Valley Water District, Henry County Water District No. 2, McCreary County Water District, Muhlenberg County Water District, Pendleton County Water District, Simpson County Water District, Warren County Water District, West McCracken County Water District, and West Shelby Water District. In its application, KRWFC stated that it was also acting on behalf of Meade County Water District. As of the date of this Order, KRWFC has yet to present any documentary evidence to demonstrate that Meade County Water District has authorized KRWFC to act on its behalf.

² KRWFC tendered the Application on January 31, 2012. In its application, KRWFC requested a general deviation from the requirements of 807 KAR 5:001 to permit the acceptance of its application. On February 21, 2013, the Commission granted a deviation from 807 KAR 5:001, Section 17(2)(a), which requires the filing of a financial statement covering a 12-month period that ends no more than 90 days before the submission of an application, and accepted the Application for filing.

County Water District, Henry County Water District No. 2, McCreary County Water District, Simpson County Water District, and Warren County Water District to enter supplemental agreements with KRWFC. On February 22, 2013, the Commission granted KRWFC's motion and authorized those six water districts to enter into the requested supplemental agreements.

We now turn to those portions of the Application that concern the remaining Applicants.³ Having considered those portions of the Application and being otherwise sufficiently advised, the Commission finds that:

1. KRWFC is a Kentucky corporation organized pursuant to KRS Chapter 58 and KRS Chapter 278 for "the financing of public projects for and on behalf of the members of" the Kentucky Rural Water Association.⁴

2. KRWFC has entered into assistance agreements with Applicants under which the Applicants used the proceeds of the KRWFC loans to finance infrastructure improvements to their water distribution and treatment facilities.

3. KRWFC intends to issue revenue bonds ("KRWFC Refunding Bonds") in an approximate principal amount not to exceed \$50,000,000 to finance the refunding of its outstanding pooled bond obligations issued in 2001 through 2004 relating to its Flexible Term Loan Program to achieve substantial interest cost savings to the borrowers under that program.

³ In this Order, all references to "the Applicants" refer to Allen County Water District, Big Sandy Water District, Crittenden-Livingston County Water District, East Clark County Water District, Green River Valley Water District, Muhlenberg County Water District, Pendleton County Water District, West McCracken County Water District, and West Shelby Water District.

⁴ See Articles of Incorporation of Kentucky Rural Water Finance Corporation (May 18, 1995) at 1-2, available at <https://app.sos.ky.gov/corpscans/47/0401747-09-99999-19950614-ART-3673729-PU.pdf> (last visited Mar. 22, 2013).

4. KRWFC and the Applicants propose to enter into supplemental assistance agreements obligating each Applicants to make payments to KRWFC or a trustee on behalf of KRWFC in amounts sufficient to pay the costs of issuance and the debt service requirements on the KRWFC Refunding Bonds

5. Table 1, which is found at the Appendix to this Order, lists: the names of each Applicant; the loans to be modified; the year in which each loan currently will mature; the principal balance remaining on each loan; the principal that will remain on the loans after the execution of the supplemental agreements; the year in which the loans will mature as a result of the supplement agreements; the gross savings and net present value savings achieved as a result of the supplemental agreements' execution. Where a supplemental agreement addresses two or more loans, the combined savings are shown.

6. The proposed supplemental assistance agreements require the Applicants to pay interest rates that vary from 2.3 percent to 3.3 percent per annum.

7. The existing assistance agreements, which will be modified with the execution of the supplemental assistance agreements, require the Applicants to pay interest rates that vary from 3.81 percent to 5.15 percent.

8. None of the proposed supplemental assistance agreements will extend or increase the length of the payment period established in the assistance agreements that they modify. Where a supplemental assistance agreement amends two or more assistance agreements, however, the final payment date for the combined remaining principal is the more distant of the final payment dates set forth in the assistance agreements whose terms are being revised.

9. As a result of KRWFC's refinancing of its bonded debt and the execution of the proposed supplement assistance agreements, each Applicant is expected to realize an aggregate gross savings of \$12,917 to \$412,322 and a net present value savings of \$12,352 to \$337,259.

10. Applicants' execution of the proposed supplemental assistance agreements is for a lawful object within their corporate purpose, is reasonably necessary and appropriate for and consistent with the proper performance of Applicants' service to the public, will not impair their ability to perform that service, and is reasonably necessary and appropriate for such purpose.

IT IS THEREFORE ORDERED that:

1. The Applicants are authorized to enter into supplemental assistance agreements with KRWFC to amend the terms of the assistance agreements identified in Table I, to include the principal amount and interest rate of the present assistance agreement, but only under such terms and conditions that will produce both positive gross savings and net present value savings and that will not require any payments beyond the year set forth in Table I.

2. If the actual terms and conditions of a supplemental assistance agreement with KRWFC differ from those set forth in the Application, the Applicant shall, within 30 days of executing the loan agreement, file with the Commission amortization schedules and work papers showing the actual gross savings and net present value savings that will result from the refinancing.

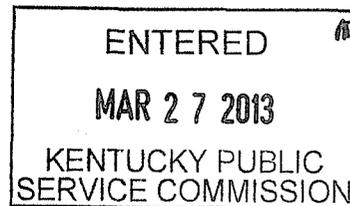
3. Within 30 days of executing the proposed agreement, each Applicant shall file a copy of the executed supplemental assistance agreement and any documents

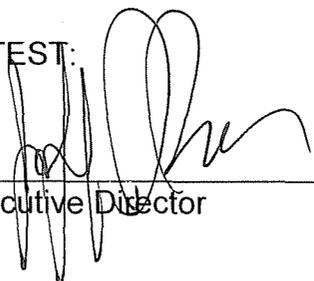
referenced in the executed supplemental assistance agreement that the Applicant has not previously filed with the Commission.

4. Any proceeds from a supplemental assistance agreement shall be used only for the lawful purposes specified in the Application.

5. Any documents filed pursuant to ordering paragraphs 2 and 3 of this Order shall reference the number of this case and shall be retained in the utility's general correspondence file.

By the Commission



ATTEST: 

Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2013-00042 DATED MAR 27 2013

TABLE 1

Applicant/Applicant	Loan Name	Case No.	Current Principal	Loan Matures	Supp. Agmt Principal	Supp. Agmt Matures	Gross Savings	NPV Savings
Allen County Water District	Series 2001A	2001-00146	\$223,000	2022	\$230,000	2029	\$27,894	\$25,052
Big Sandy Water District	Series 2001A	2001-00178	\$479,000	2023				
	Series 2004D	2005-00230	\$520,000	2029				
	---Combined				\$1,015,000	2029	\$135,938	\$110,472
Crittenden-Livingston Water District	Series 2004D	2004-00366	\$3,873,000	2029	\$3,970,000	2029	\$412,322	\$337,259
East Clark County Water District	Series 2002	2002-00264	\$139,000	2024	\$145,000	2024	\$12,917	\$12,352
Green River Valley Water District	Series 2001E	2002-00413	\$207,000	2018	-	-	-	-
	Series 2003C	2003-00388	\$926,800	2019				
	---Combined				4,220,000	2028	294,123	241,311
Muhlenberg County Water District	Series 2004A	2004-00062	\$392,000	2017	-	-	-	-
	Series 2004D	2004-00381	\$967,000	2021	-	-	-	-
	---Combined				1,391,000	2021	46,753	42,542
Pendleton County Water District	Series 2001A	2001-00172	\$229,000	2024	\$235,000	2024	\$30,333	\$27,545
West McCracken County Water District	Series 2004D	2004-00402	\$576,000	2024	\$585,000	2024	\$43,953	\$37,916
West Shelby Water District	Series 2001A	2001-00144	\$372,000	2023	\$350,000	2023	\$51,805	\$45,764

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